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# **PRIVILEGED AND CONFIDENTIAL**

March 12, 2010

Mr. Jerry Wise  
Treasurer

AUCKLAND

Indianapolis Airport Authority  
7800 Col. H. Weir Cook Memorial Drive, Suite 1000  
Indianapolis, IN 46241

BANGKOK

BEIJING

BOSTON

Mr. Michael Huber  
Director of Enterprise Development  
Office of the Mayor  
City-County Building Suite 2501  
200 E. Washington Street  
Indianapolis, IN 46204

CHICAGO

LONDON

LOS ANGELES

MELBOURNE

Dear Messrs. Wise and Huber:

MILAN

We are pleased to provide you with a response to your Request for Information Related to Indianapolis Airport Authority's Parking Facilities Request for Information (RFI) issued February 10, 2010.

MUMBAI

MUNICH

NEW DELHI

L.E.K. Consulting does not manage parking facilities nor do we own parking assets. We are a global strategy consulting firm that provides strategic advice to entities like the Indianapolis Airport Authority (IAA) as they consider alternative management structures for public assets while balancing the potential transaction opportunities with the need to maintain service levels. We believe we are well positioned to provide you with a Strategic Options Assessment, which will help IAA determine the best course of action for all stakeholders.

NEW YORK

PARIS

SAN FRANCISCO

SHANGHAI

As we will outline below, we have a history of helping operators define and realize new alternatives for the management of their on-premise parking facilities. We can quickly help answer the most pressing questions you face as you consider how to best proceed, including:

SINGAPORE

SYDNEY

- What is the underlying value of IAA's parking assets, including potential revenue streams not currently utilized?

TOKYO

WROCLAW

- What are the options for an alternative management structure that IAA should consider?
- What are the benefits and risks associated with each option?
- How should the solicited proposals be qualified and valued?
- Once the strategy is set, how will it be communicated to key stakeholders?

L.E.K. Consulting is the #1 strategic advisor to the aviation industry, including airports, airlines, investors, aerospace manufacturers, and administrators. L.E.K. is also a leader at successfully bringing innovation, both as a diagnostic process as well as an output to our clients, irrespective of industry. Our broad level of experience across the aviation value chain uniquely positions L.E.K. to provide insightful perspectives to its airport clients, and in doing so, define innovative growth strategies that other firms are simply not able to provide. With specific regard to airports, L.E.K. has been on the forefront of driving new forms of revenue growth in some of the world's most innovative airports.

**The team has extensive experience specifically in developing and analyzing revenue-generating activities for a number of domestic and international airports and airlines, which has generated billions of dollars of value.**

L.E.K. has recently worked with Chicago's O'Hare Airport to optimize on-premise parking assets. We also assisted in the transaction for the long-term leasing of the City of Chicago's downtown parking assets, and to determine ongoing improvement opportunities for those facilities. We are currently working with LAX on a similar parking strategy project that also involves the potential securitization or concessioning of parking. L.E.K. was appointed to the LAX project specifically due to our approach to innovation, replacing an incumbent consulting firm whose work had been curtailed due to a lack of innovation. Globally, we have worked with international airport hubs at Brisbane, Auckland, Manchester, and BAA Gatwick to value the assets as privatization was considered, then work to improve the management of parking assets.

Thank you in advance for considering L.E.K. Consulting to assist you in this important matter.

Kind regards,



**Jamil Satchu**

**Vice President**

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## **2. SECTION 1 – CONTACT INFORMATION AND TEAM BACKGROUND**

### **2.1. KEY CONTACT INFORMATION**

Jamil Satchu, a Vice President from L.E.K. Consulting's Chicago office, will be the primary contact for this proposal, as well as for the proposed engagement. Jamil's contact information is below, and a brief description of his background and qualifications is included in section 2.2.

Jamil Satchu  
Vice President  
L.E.K Consulting  
One North Wacker Drive, 39<sup>th</sup> Floor  
Chicago, IL 60606  
Office: 312-913-6413  
Fax: 312-782-4583  
Email: j.satchu@lek.com

### **2.2. TEAM BACKGROUND**

#### **Jamil Satchu**

- Jamil Satchu, one of the Partners who will lead this project, is a Vice President in the Chicago office of L.E.K. Consulting and leader of the North American parking practice. He has significant experience helping cities and airports increase parking revenue based on a rigorous understanding of the customers they serve. Jamil has been a consultant for 17 years
- Examples of recent relevant assignments include:
  - Currently leading the development of the long-term parking strategy for LAX, with an in-depth focus on remote parking assets and ownership models
  - Leading the transformation of Chicago O'Hare Airport's collateral development strategy with a focus on how new, innovative revenue products and services (retail, entertainment, office space) could be provided on-site while still delivering against parking demand and parking asset requirements
  - Defining the future retail and parking value propositions for Midway Airport, on behalf of the City of Chicago, to support the recent privatization initiative. Key elements included the definition of new and underleveraged revenue streams and development of detailed business cases and implementation plans

- Jamil received his M.B.A. from the University of Chicago, Graduate School of Business, and his B.Sc. in Political Economics from the University of London

### **Robert Rourke**

- Robert Rourke is a Vice President based in the Chicago office of L.E.K. Consulting. Rob also leads L.E.K.'s North American parking practice and has developed significant expertise in parking strategy and value maximization for all types of parking locations. Rob joined L.E.K. in 1996 and has 19 years of consulting experience
- Examples of recent relevant assignments include:
  - Identifying and quantifying the lease or securitization of public parking facility opportunities at Chicago O'Hare Airport, as well as identifying future development opportunities for public parking and other commercial development within the existing and planned public parking layouts
  - Advising the City of Chicago on the privatization of four downtown garages which included deep analysis on incremental revenue generation potential
- Prior to joining L.E.K., Rob was a manager with Accenture. Rob holds a B.A. in finance from Syracuse University. He received his M.B.A. with Distinction from the Kellogg School of Management at Northwestern University. Rob is also a frequent lecturer at the Kellogg School of Management on mergers and acquisitions

### **John Thomas**

- John Thomas is a Vice President based in L.E.K.'s Boston office and heads L.E.K.'s Global Aviation practice. He has worked extensively in the airline, aerospace, airport, and travel and tourism sectors. John has been with L.E.K. for 19 years and has been working as a consultant for over 22 years
- Examples of recent assignments include:
  - Car park study for Chicago O'Hare on revenue growth opportunities
  - Downtown Millennium Car park study for the City of Chicago
  - Numerous airport operational studies on behalf of our airline clients (e.g., assisting US Airways achieve top OTP performance through restructuring their hubs)
  - Long term capital and infrastructure planning for Asian airports (e.g., location, size and scope of new terminals)
  - Long term scenario and strategic planning for Asia's leading airport
  - Financial advisor to Illinois State Department of Transport on new 3rd airport for Chicago
  - Key advisor on merger between Delta and Northwest Airlines (including assessment of all their airport operations)



- Key advisor to leading US carrier on future of the airline industry and developing strategies for success
  - Key strategic advisor to leading US low cost carrier
- Before joining L.E.K. John worked with Booz Allen & Hamilton. Prior to that he worked in industry in a number of finance and sales and marketing roles
- John has a B.Comm. in Accounting and Financial Management from University of NSW and an M.B.A. (Dean's List) from INSEAD
- John has a Commercial Pilot's License and is Instrument Rated

### **Joe Johnson**

- Joe Johnson is a Senior Engagement Manager in the Chicago office of L.E.K. Consulting. He has over nine years of consulting experience
- Joe's area of focus is assisting clients in identifying and executing growth and transition strategies. He also has extensive experience in primary customer research, customer segmentation strategies, and in-depth driver-based economic modeling
- Examples of recent relevant experience include:
  - Optimizing the revenue generated from auto parking at O'Hare Airport by examining customer demand, parking rate structures and requirements, and product mix offerings
  - Developing a driver-based market model across key customer segments to project company revenues for a leading sports equipment marketer
  - Conducting a detailed customer segmentation analysis for a specialty women's retailer to aid in merchandising and product mix decisions
- Joe earned a Bachelor of Arts, cum laude, in Economics from Harvard University and an M.B.A. from the Kellogg School of Management at Northwestern University





### **3. SECTION 2 – TECHNICAL AND PRACTICAL EXPERIENCE**

#### **3.1. INTRODUCTION TO L.E.K. CONSULTING**

Established in 1983, L.E.K. Consulting is one of the leading global strategic advisors to many of the world's largest companies as well as governments and municipalities. The firm has 20 offices worldwide and a global staff of nearly 900 professionals, led by over 100 partners.

The firm has diverse experience across nearly every industry. In particular, L.E.K. possesses a deep understanding of the parking industry and also has a transaction heritage, having worked for both sellers and buyers of assets. Therefore, the firm is uniquely positioned to be a valuable strategic advisor for the Indian Airport Authority (IAA) as it seeks alternative management structures for the operations of its parking facilities.

**L.E.K. has extensive experience specifically in developing and analyzing strategic and investment decisions for a number of international and municipal parking facilities.**

L.E.K. has worked with a wide variety of global clients addressing a number of critical issues related to parking:

- Parking privatization
- Parking revenue growth
- Development of new parking asset offerings
- Parking yield management/pricing

L.E.K. has conducted a significant number of strategic parking projects such as revenue maximization, concessioning and leasing, and privatization for major cities across the globe including Chicago, Brisbane, Manchester, Auckland, and Los Angeles. More recently, L.E.K. has worked with Chicago O'Hare Airport to optimize on-premise parking assets, and is currently working with LAX on a similar parking strategy involving the potential securitization or concessioning of parking facilities.

**The team also has extensive experience in public private partnership (PPP) initiatives, working directly as an advisor to both buy-side and sell-side clients in a number of privatizations around the world.**

L.E.K. has considerable sell-side and buy-side experience. Our expertise in identifying how to drive increased value through market-based analysis is a critical differentiator and a hallmark of how we support our clients on both sides of potential PPPs.

As an example, L.E.K. was the lead consulting advisor for one of the most successful parking privatization examples in the United States. L.E.K. successfully advised the City of Chicago on the privatization of four downtown garages, identifying and quantifying new revenue

streams that could be driven through retail establishments, surface advertising, and automotive services. Our work ultimately resulted in a transaction that generated over ~\$560M in direct revenue for the city, as well as saving taxpayers hundreds of millions of dollars in maintenance expenses. Our emphasis on new, innovative revenue streams is critical in unlocking additional value for sellers in public private transactions.

In addition, the team has deep international infrastructure experience that can be leveraged to understand different PPP models and their application to municipalities. This includes advising governments and buyers/franchisees in PPPs and privatizations of a variety of other entities, including a number of rail systems throughout the world, domestic and international lotteries, energy agencies, an Asian telecom operator, and a European state-owned tobacco company.

Furthermore, L.E.K. is also the #1 strategic consultant on airport privatization. We have worked on some of the most significant and compelling examples of successful airport privatization in the world, including projects at the Sydney, Perth, Cairns, Mackay, Auckland, Wellington, Bristol, Rome, and Florence airports. By working on such a significant number of industry-defining privatizations, the team understands how different key stakeholders have been affected by past PPPs and privatization efforts and can apply this knowledge to our research regarding how future efforts will affect stakeholders.

**L.E.K. also possesses deep consumer and customer experience that is critical to developing differentiating market analyses based on consumer insights to support transaction initiatives.**

A hallmark of L.E.K.'s work is defining revenue growth streams that increase value to the seller and can be executed on by the buyer, thus creating value for all parties. L.E.K. has been able to offer innovative insights through our focus on market research and customer segmentation, revealing customer behaviors and trends that impact future market demand forecasts and augment our clients' ability to capture incremental revenues.

L.E.K. completes hundreds of consumer insight and segmentation cases every year and is adept at applying this approach to municipal parking strategies. Additionally, the team will be able to draw from its experience in enhancing revenues in a variety of retail companies as well as other transportation sectors through merchandising strategies and optimizing product mix. L.E.K. has the benefit of being able to leverage these innovative revenue-generating solutions from other industries to municipal parking assets.

**Finally, L.E.K. is fully equipped to determine both how IAA can attain more value from its parking assets and identify the optimal ownership structure for parking assets.**

We have extensive experience evaluating the impact of various ownership structures on city economics and stakeholders, such as owner operated, lease/concession arrangements, reverse management contracts, or fixed fee management contracts. L.E.K.'s work with Chicago's Millennium Park determined that a long-term lease was the optimal ownership structure, primarily due to the opportunity to free the city of the accrued liability burden created by the garage. The transaction generated ~\$560M in direct revenue, but the actual value to the city was over \$1B, created largely from non-financial drivers enacted when the city was freed of its accrued liability burdens, such as capital improvement and capital expense obligations.



This type of insight and experience means L.E.K. can maximize value for IAA, both in the short- and long-term.

In summary, L.E.K. has advised key public and private sector stakeholders on over 30 PPP and privatization engagements across the world – a large number of which were for parking infrastructure and public assets. Our experience has afforded us a deep understanding of the buy-side investor community, including an understanding of the key sources of value the investor community seeks, which is critical to the long term success of any privatization project. Our work is defined by an ability to identify new revenue growth opportunities that increase the value to the seller and reflect reasonable expectations from the buyers. In addition, L.E.K.'s focus on customer segmentation brings a unique capability and insight that other parking consultants and financial advisors will fail to realize, making our analysis more robust and actionable for long term success.

## Sample List of Clients:






L.E.K.'s innovative and pragmatic solutions have created significant value for our clients:

- **Innovative/Market-Driven:** our data-driven behavioral customer research and segmentation has yielded sophisticated solutions in prior projects under short timelines:
  - L.E.K.'s work with Chicago O'Hare International Airport used innovative data-gathering techniques, from intercepting many customers at each parking location to conducting an online survey of car park customers, in order to gain a robust and comprehensive dataset with which to develop behavioral customer segmentations and definitions
  - L.E.K.'s engagement with Millennium Park parking garages in Downtown Chicago utilized customer intercepts and industry expert interviews to put together a thorough assessment of car park incremental revenue growth. L.E.K. assessed parking patrons' receptivity to various opportunities and developed estimates of the parking system's capacity to accommodate these opportunities and thus improve the client's negotiating position
- **Pragmatic and Actionable:** our analysis would provide a clear strategy with concrete ideas which should lead to successful results for IAA, similar to prior projects:
  - Through the innovative work performed for Chicago O'Hare International Airport, the City of Chicago was presented with actionable recommendations to change its airport parking pricing strategy, develop new ancillary services and parking offerings, and add new parking capacity over the near- and medium-term. O'Hare recently used the work to help support pricing adjustments to airport parking lots
  - From L.E.K.'s engagement with Millennium Park, a thorough assessment document was created to complement the confidential investment memorandum distributed to bidders. The client improved its negotiating position by increasing its ability to capture the additional value from future enhancements a bidder was likely to implement and reduced its risk of providing the bidder too much upside

### 3.2. COMPARABLE PROJECTS

#### City of Chicago – Downtown Chicago Public Parking Concession and Lease Strategy

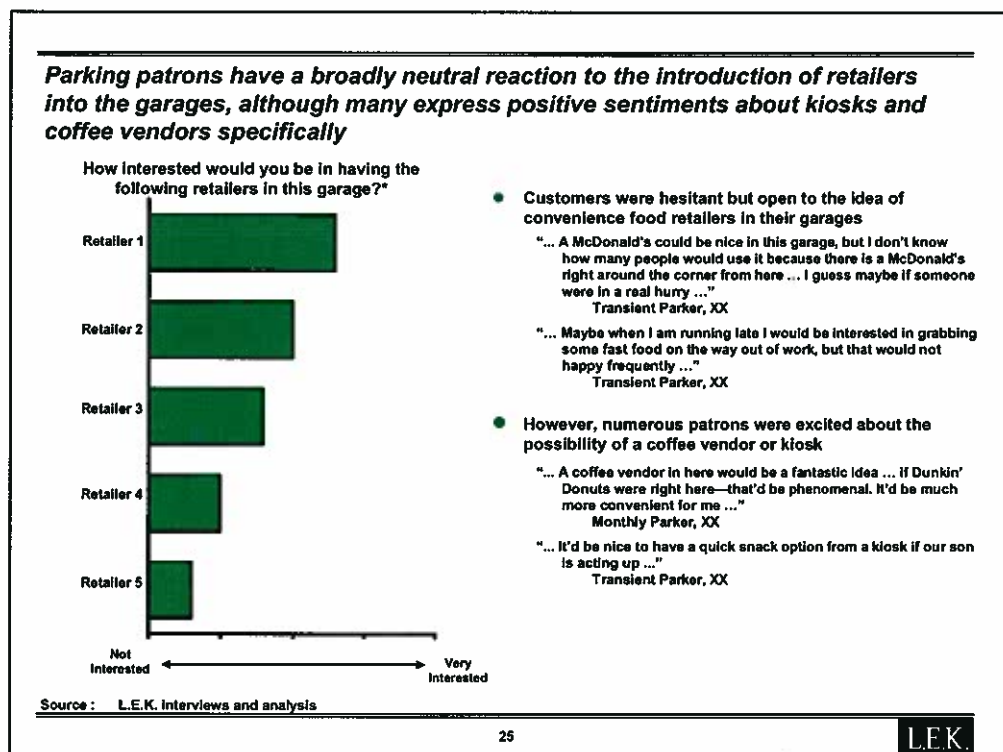
	Company / Entity Name	City of Chicago
	Contact Name(s)	Dana Levenson, Former CFO
	Phone Number	(312) 777-3604
	Email Address	dana.levenson@rbos.com

### Project Description

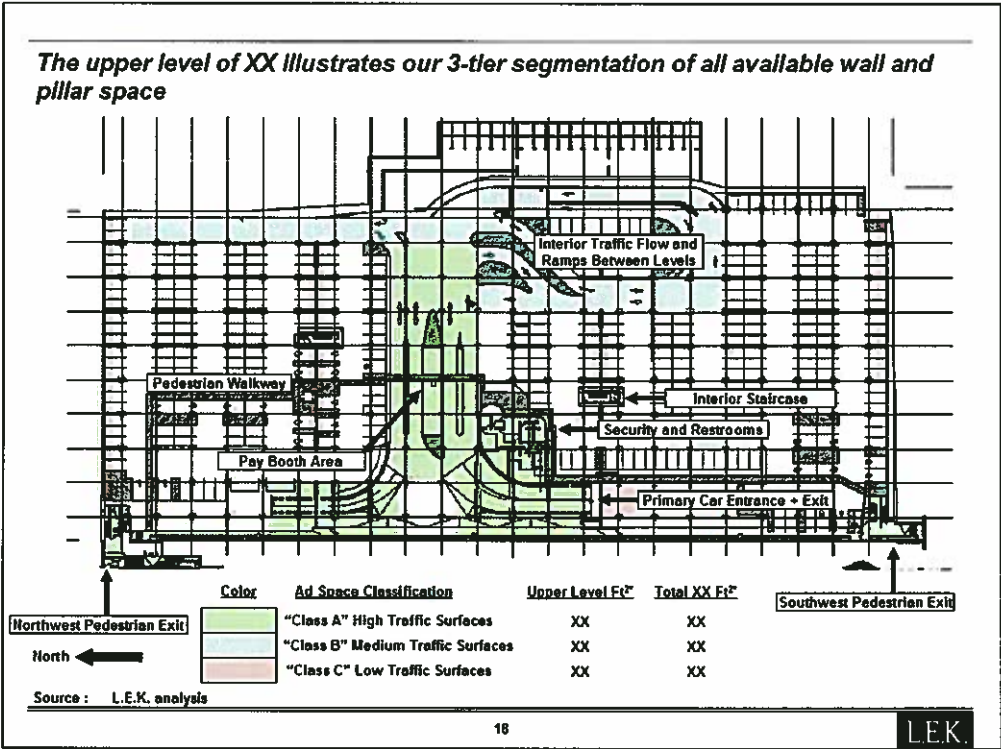
- L.E.K. was hired by the City of Chicago to investigate incremental revenue opportunities for four downtown parking garages in order to support the best possible terms for a lease and concessions agreement
- L.E.K. was asked to provide a perspective on the potential to incorporate advertising, retail, and other services into the city's parking system
- L.E.K. was selected from a number of firms because of its significant experience with car park revenue growth and proven ability to provide innovative solutions

### Key Activities and Example Output

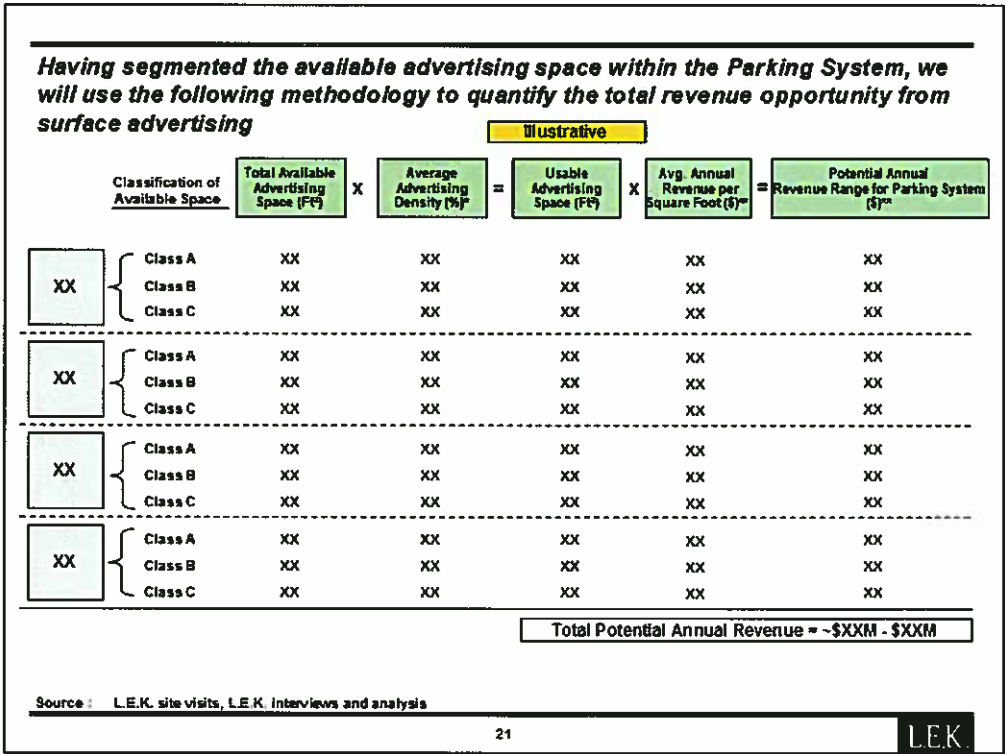
- Through the use of customer intercepts, L.E.K. assessed parking patrons' receptivity to utilizing additional services, patronizing retail concessions, and other parking offerings



- By reviewing parking structure blueprints and conducting site visits, L.E.K. developed estimates of the parking system's capacity to accommodate additional revenue-generating opportunities



- L.E.K. also performed benchmarking and competitive research to further refine assumptions required to quantify incremental revenue opportunities
- Potential revenue-generating strategies and revenue estimates were created using a quantitative model





Key Outcomes

- L.E.K.'s research and analysis enabled innovative, revenue-generating strategies to be executed for the City of Chicago's parking system
- L.E.K.'s study was used to help support the capitalization and valuation of the long-term lease of the Millennium Parking Garages, which resulted in the privatization of the garages in a transaction generating ~\$560M for the City of Chicago

**City of Chicago – O'Hare International Airport – Parking Opportunity Assessment**

	Company / Entity Name	City of Chicago – Department of Aviation
	Address	10510 West Zemke Rd., Chicago, IL 60666
	Contact Name(s)	Mike Zonsius, CFO of Department of Aviation
	Phone Number	(773) 686-3433
	Email Address	mzonsius@cityofchicago.org

Project Description

- L.E.K. was asked to identify and quantify the opportunities for concession lease or securitization of public parking facilities at Chicago O'Hare Airport, and identify future opportunities for public parking or other commercial developments

Key Activities and Example Output

- L.E.K. conducted detailed customer research, including an internet survey with ~500 responses and ~50 customer intercepts at all five O'Hare parking lots to segment its customers and inform market model and revenue projection assumptions

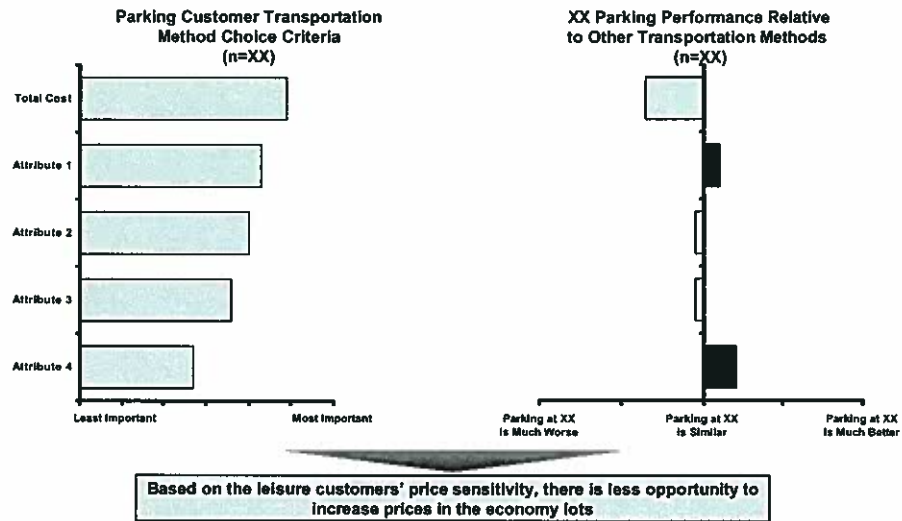


**We have identified three parking customer segments with the following characteristics**

XX% of parkers	XX% of parkers	XX% of O&D enplanements
Segment #1 Description - XXXX	Segment #2 Description - XXXX	Segment #3 Description - XXXX
<ul style="list-style-type: none"> <li>Selection criteria of total cost and commuting time to check-in or security</li> <li>Primarily parked in economy lots</li> <li>Average length of stay: XX hours</li> <li>Customers want to be sure of getting to the airport terminal in good time, have certainty over their travel time to the airport, and get to the airport as quickly and conveniently as possible</li> <li>Customers want the lowest price and spend a lot of time researching travel upsides</li> </ul>	<ul style="list-style-type: none"> <li>Selection criteria of convenience and total cost</li> <li>Primarily parked in main lots</li> <li>Average length of stay: XX hours</li> <li>Customers want to be sure of getting to the airport terminal in good time and as conveniently and quickly as possible</li> <li>When traveling to the airport by car, customers believe that safety is an important criteria</li> </ul>	<ul style="list-style-type: none"> <li>Selection criteria of total cost and convenience</li> <li>Primarily parked in main lots</li> <li>Average length of stay: XX hours</li> <li>Customers want to be sure of getting to the airport terminal in good time and as conveniently and quickly as possible</li> <li>Customers want to get the lowest price available but believe that when traveling to the airport by car, safety is an important criteria</li> </ul>

Source : L.E.K. survey and analysis

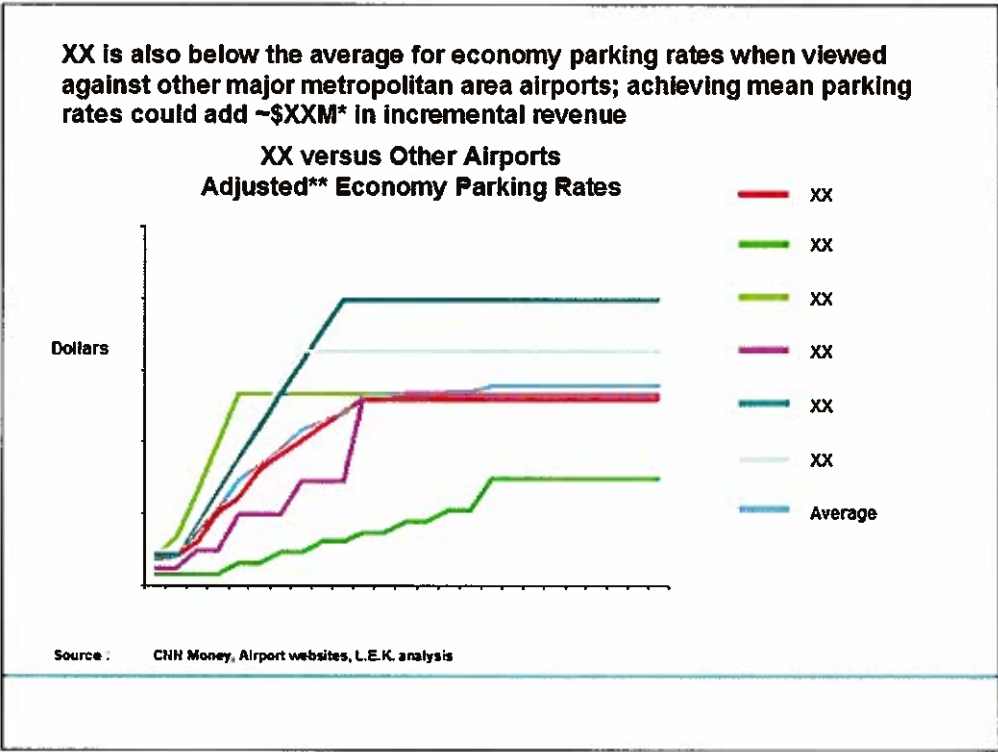
**Leisure parkers, on the other hand, are more price sensitive and view XX parking less favorably on total cost**



Source : L.E.K. survey and analysis

- L.E.K. conducted benchmarking of local competitors and major metropolitan airports in order to understand how parking assets compared with offerings at other U.S. and international airports

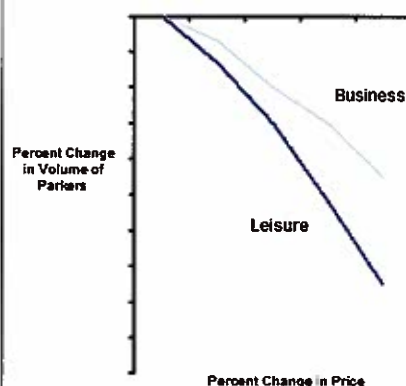




- L.E.K. created an innovative analytical model, driven by prior customer research and benchmarking, to project revenues from parking fees and ancillary services over a 20-year timeframe
  - The model contained sensitivities to forecasted revenues based on rate increases and resulting customer attrition, modeled the capacity build-up necessary to meet forecasted parking demand, and quantified demand due to capacity constraints

Based on price sensitivities for the business and leisure traveler, raising prices in the main lot, international lot, and economy lot XX could result in up to \$XXM in incremental gross revenues in the short term

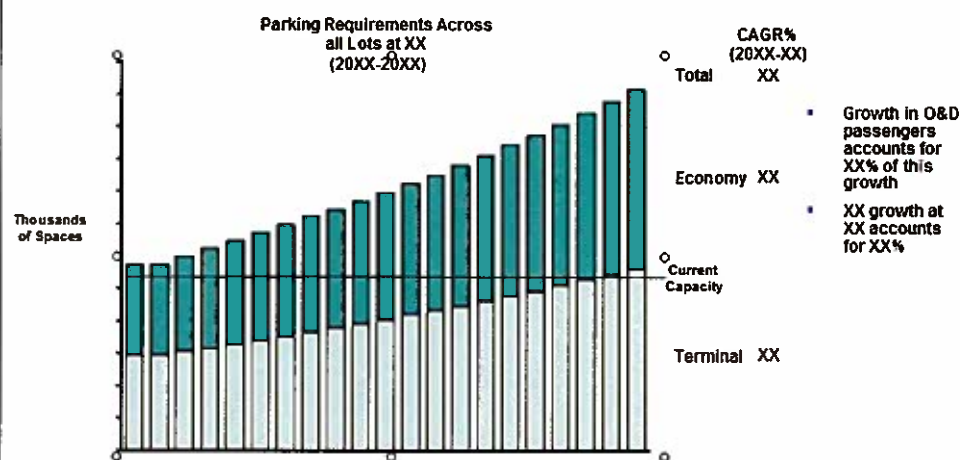
## Impact of Daily Parking Rate Changes on Volume



Lot	Recommended Rate Increase	Rate Change Impact on Gross Revenues (20XX)	Rate Change Impact on Gross Revenues (20XX), Assuming No Customer Attrition & Higher XX Growth
Main Lot - Daily	Increase daily rate from \$XX to \$XX	\$XXM	\$XXM
Int'l Lot XX	Increase daily rate from \$XX to \$XX	\$XXM	\$XXM
Economy Lot XX	Increase daily rate from \$XX to \$XX	\$XXM	\$XXM
Total Impact on Gross Revenues		\$XXM	\$XXM

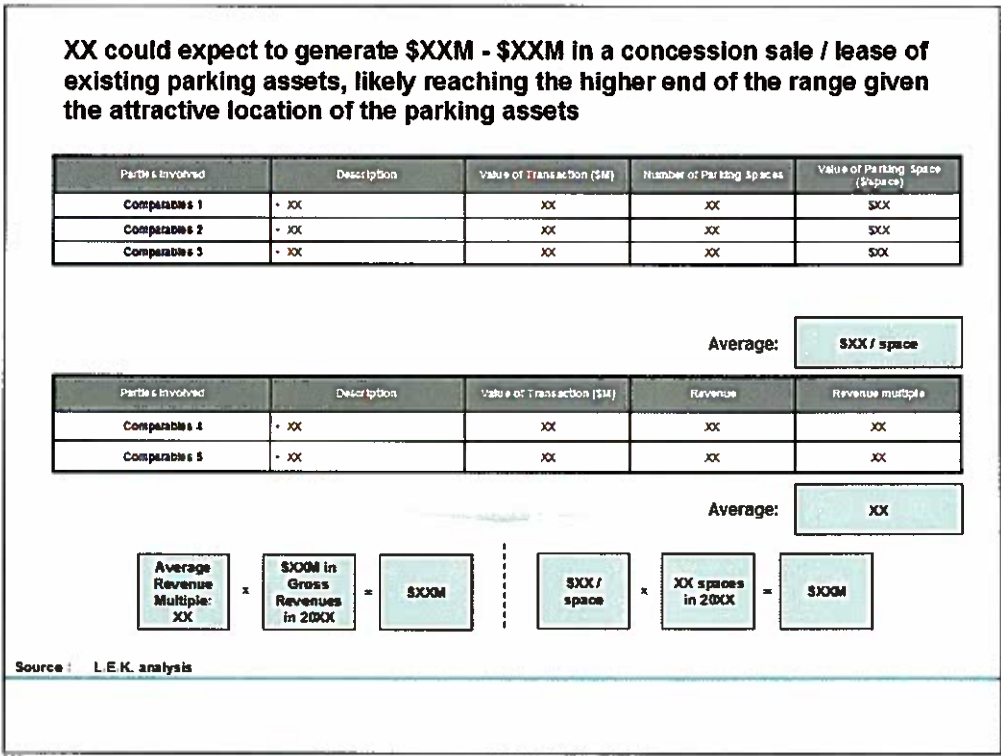
Source: L.E.K. survey and analysis

Given the outlook for the number of O&D passengers, increasing average lengths of stay and recommended price increases, we estimate the need for XX parking spaces at XX by 20XX



Source: L.E.K. Analysis

- L.E.K. provided recommendations on opportunities to monetize the forecast and quantified the potential resulting revenues



Key Outcomes

- L.E.K.'s innovative work provided recommendations on how the City of Chicago could change its airport parking pricing strategy, develop new ancillary services and parking offerings, and add new parking capacity over the near- and medium-term
- Tactical price changes were implemented in 2008; it is still too early to determine the impact of the proposed business models

**Los Angeles International Airport – Parking Strategy**

<div>Los Angeles International Airport</div> <div></div>	Company / Entity Name	Los Angeles World Airports
	Contact Name(s)	Ryan Yakubik, CFA
	Phone Number	(424) 646-5251
	Email Address	ryakubik@lawa.org

Project Description

- L.E.K. is currently performing a project for the Los Angeles International Airport (LAX) to develop a strategy to address remote parking competitors,



within the context of developing an overall portfolio strategy for parking at LAX

Key Activities

- As part of L.E.K.'s efforts to develop a parking strategy for LAX, L.E.K. is conducting its work along five key modules:
- First, L.E.K. is gaining a detailed baseline of LAX parking asset performance
  - This process involves a review and evaluation of all LAX parking performance data as well as interviews with key LAX stakeholders
- Second, L.E.K. is performing a customer assessment in order to understand how LAX's customer base can be segmented
  - In order to develop an understanding of LAX's parking customers, L.E.K. is conducting primary interviews with customers to capture their parking behavior, prices paid, and knowledge of competitive options in order to ultimately develop a mapping of customers
- Third, L.E.K. is performing competitive baselining and research in order to gain a fact-base of the universe of competitive options for customers and determine how options compare in terms of key attributes and pricing
  - Key activities include data gathering on competitors' product offerings, refining L.E.K.'s understanding of the competitive portfolio by testing each of the offerings in the local market to further inform analysis, and selectively interviewing private operators to understand their strategies
- Finally, L.E.K. is leveraging its work and findings in order to define the optimal long-term strategic options for deployment of parking assets at LAX
  - For this phase of the project, L.E.K. is developing a model that incorporates LAX's capabilities and potential "cost to serve" implications for each asset value proposition, as well as identifying customer segments/assets that LAX can concede and/or collaborate on

Key Outcomes

- L.E.K.'s current parking strategy engagement with LAX is ongoing



**4. SECTION 3 – AIRPORT PARKING OPERATIONS EXPERIENCE**

L.E.K. Consulting does not engage in the direct management or operation of parking facilities.

## **5. SECTION 4 – L.E.K. CONSULTING’S ADDED VALUE**

### **5.1. KEY BENEFITS OF A STRATEGIC OPTIONS ASSESSMENT**

As IAA navigates the public private partnership (PPP) process it is critical that it has a firm understanding of what value it places on its parking assets, what option for alternative management it prefers, and a clear idea of how to proceed with the alternative management strategy once a partner has been selected. L.E.K. Consulting is prepared to quickly deploy a team to assist IAA with these issues, able to begin before or during the solicitation of bids and continue as the process progresses through partner vetting. IAA will enjoy several key benefits from an L.E.K. Consulting Strategic Options Assessment:

- The knowledge and analysis needed to make an informed decision regarding alternatives to self-managed parking operations
- A market-based valuation of the long term value of IAA’s parking assets
- A detailed understanding of the options available to IAA, complete with the benefits and risks inherent with each strategy
- Confidence and clarity with the strategy selected
- Materials and tools needed to clearly communicate strategic options and decision criteria to key stakeholders

Based on our experience with similar projects, L.E.K. will take a systematic approach to this project that will include reviewing IAA internal data, leveraging L.E.K. knowledge and expertise, as well as conducting select primary and secondary research as needed to complete our analysis.

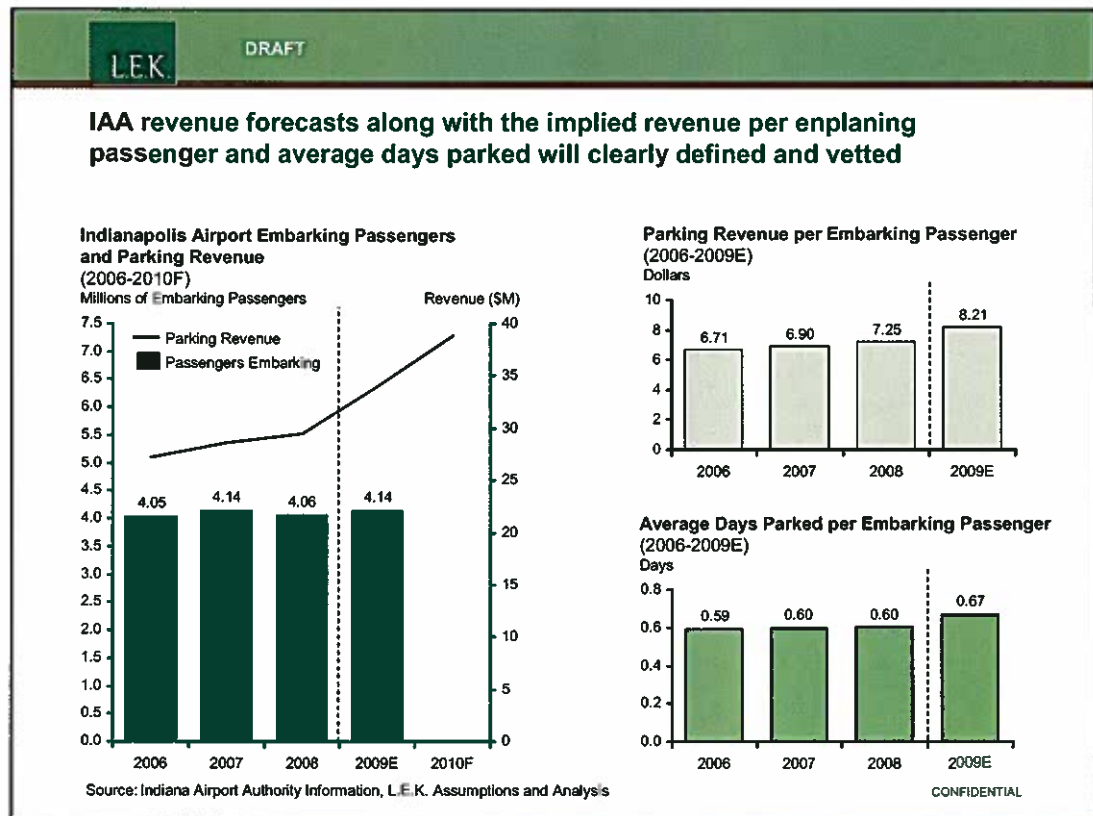
### **5.2. UNDERSTANDING THE VALUE OF IAA’S PARKING ASSETS**

Given where IAA currently is in the PPP process, it is critical to develop a market-based study as opposed to beginning with a financial, comparables-driven analysis that is not informed by a market-based analysis. Therefore, we recommend an approach that allows IAA to understand the market value of its assets based upon future revenues derived from demand projections and founded in customer research and behavioral trends, and not upon historic comparable transactions.

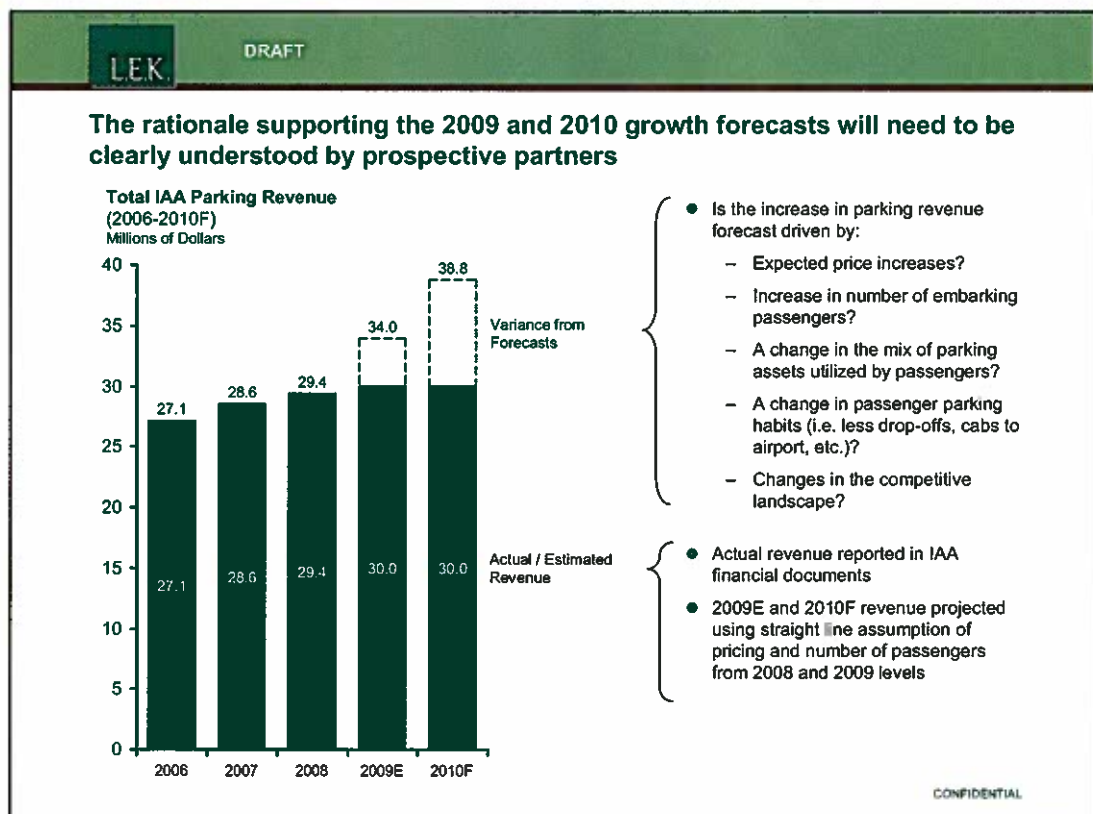
#### **Current Performance Baseline**

L.E.K. will help to clearly lay out revenue drivers and assumptions that prospective partners can use to develop their proposals. Enplaning passenger projections, expected prices and usage behaviors will be clearly defined and tested to provide an accurate data set of assumptions for bids and proposals to be based upon.





These assumptions will need to be clearly defined and communicated to prospective bidders to ensure that the appropriate adjustments for revenue expectations and risks are made as proposals are developed.





It is imperative for IAA to understand the revenue potential for its parking operations in order to accurately estimate the value for its assets. To determine the current baseline performance L.E.K. will focus on the following key activities:

- Review of all IAA performance data across all assets and categories. Performance metrics include:
  - Data capacity utilization and demand patterns (e.g., time of day, day of week) for all parking assets, including garages and surface lots
  - Revenue per transaction for each asset
  - Timing of and dollar amount of price changes over the last ten years by asset
  - Customer surveys (e.g., needs, satisfaction)
  - Historic price elasticity, ideally by customer segment (impact of price increases on demand)
- Analyze data from previous years to incorporate seasonal adjustments into baseline
- Analyze internal data to determine true “cost to serve” for each parking asset

#### **Customer Segmentation and Demand Profiles**

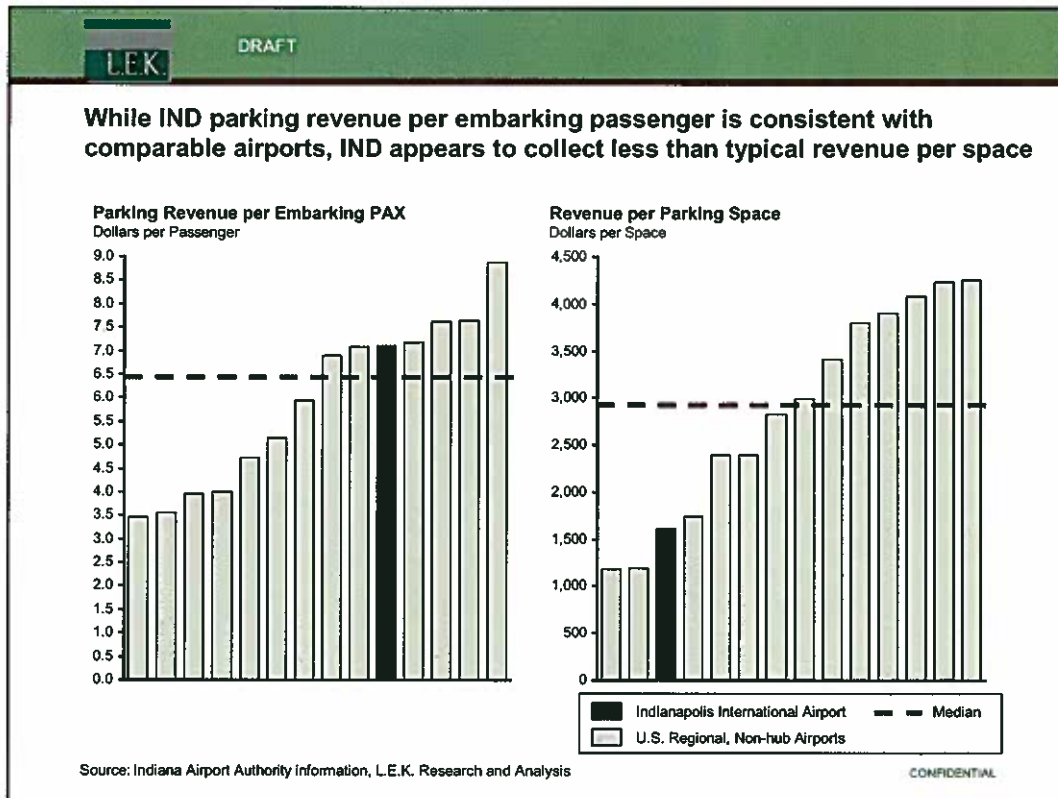
The value of IAA’s parking assets also includes changes in customer behavior or preferences, or potential changes in service offerings which can attract additional customers. Understanding how customers will likely interact in the future with on-premise parking facilities requires the segmentation of customers and the determination of the potential changes in (or potential to change) future behavior. To sufficiently answer these questions, L.E.K. will develop an understanding of how IAA’s customer base can be segmented in order to forecast usage trends, price elasticity, service and convenience preferences, travel type (leisure vs. business), etc. Key activities to support this analysis will include:

- Review existing IAA customer research as available
- Develop a segmentation framework hypothesis (by parking purpose and duration, geographic parking location, demographics, etc.)
- Conduct an online or in-person survey to capture key customer insights including:
  - Parking purpose, duration, destination, etc.
  - Parking options considered
  - Knowledge of levels of parking options
  - Criteria that drive decision of where to park and key trade-offs

- Price premiums/elasticities for parking value propositions
- Analyze feedback from the survey to develop a refined segmentation market map of customers (by parking purpose, competitive options, asset attributes, price sensitivity, etc.)
- Work with existing IAA data and survey data to estimate the relative sizing of various segments

### **Best Practices from Other Airports**

To understand the value of IAA's parking assets it is also important to benchmark current performance against peer airports. Using internal L.E.K. analysis, we have determined that Indianapolis Airport (IND) parking has a comparable level of parking revenue per enplaning passenger, but has lower than average revenue per parking space. The comparison airports include non-hub, regional U.S. facilities.



These preliminary results indicate a potential for performance enhancement that a third party provider may be able to capture. L.E.K. has assisted other airports to further segment customers to better match products (e.g. short-term parking) with customer needs.

A more detailed study can identify the best practices used by other U.S. airports regarding product offerings, key attributes, and pricing, which will inform opportunities to generate incremental revenue. Main activities will include:

- Identify current best practices through direct interviews with airport parking managers and privatized parking representatives
  - Interviews will focus on comprehensive product offerings, policies, compliance, and other revenue drivers
- Analyze secondary research of parking assets in other U.S. airports to identify best practices
- Benchmark IAA's parking product offerings, policies, and other revenue drivers against the identified best practices
  - What are the respective value propositions of each of IAA's parking assets?

#### **Incremental Revenue Opportunities**

Additionally, IAA should identify the sources of potential incremental revenue opportunities. Main activities to develop a projection of ancillary revenue will include:

- Leverage results from quantitative online survey to identify customer behaviors, parking trends and resulting revenue opportunities, for example, fare/fee increases, or possibly other opportunities outside current offerings, such as incremental revenue-generating advertisements
- Leverage L.E.K.'s experience with other parking facilities to complement the above research
- Synthesize research previously collected to inform incremental revenue opportunities
- Build an economic model to quantify incremental revenue opportunities
- Summarize observations about incremental sources of revenue and further analyze identified opportunities

#### **Core Asset Value Assessment**

Overall, all revenue streams and asset can be combined to determine the value of IAA's parking assets. The development of the valuation will entail:

- Forecast revenue for core assets and activities based on customer trends and informed demand projections
- Incorporate value of incremental revenue opportunities
- Determine NPVs for all relevant assets, including garages and surface lot spaces, individually, collectively, and as a system
- Research comparable transactions and supplement with NPV analysis to determine appropriate asset valuations

### 5.3. CLEARLY DEFINED STRATEGIC OPTIONS

There are many different options that IAA faces when considering alternative management strategies for its parking assets. Each option contains a set of inherent benefits and risks, as well as additional opportunities or potential complications based on the specific characteristics of IAA's unique situation. L.E.K. Consulting can assist IAA in navigating these options and systematically determining the best deal structure for IAA to seek.

#### Identification of Options

PPP opportunities generally fit into broad categories along a spectrum of owner operated to completely privatized airport parking systems.



#### Benefits and Risks to IAA of each Option

The proper application of each alternative management strategy is highly dependant on the factors of the specific opportunity, such as the nature of the assets involved, the owner's experience managing properties and partnerships, credit considerations associated with the assets in question, and the level of engagement of city oversight councils or other government bodies, among other things. The key activities that will determine which option is the best for IAA to consider include:

- Clearly articulate the inherent benefits and risks of each alternative management option for IAA

- Consider IAA specific characteristics and how they will impact each management option
- Analyze various ownership models (e.g., lease or concession arrangement, reverse management contract, fixed fee management contract, or own and operate) for each parking asset, and determine the optimal model
  - Define cost/operational savings potential and quantify possible savings for high-potential ownership models
  - Identify any investment required to achieve enhanced revenue

#### **5.4. STRATEGY DEVELOPMENT**

The final step in the Strategic Opportunity Assessment will be the definition of the long-term strategic management options for IAA's parking assets. Main activities include:

- Provide IAA management with a clear idea of what each option will entail
- Develop a set of L.E.K. recommendations for strategic options to employ based on our previous experience assisting similar projects
- Assist IAA with choosing the optimal strategic management option to employ based on the considerations provided in the options assessment phase of the project
  - Build consensus among stakeholders regarding the expected value that IAA will enjoy under the selected strategy
- Summarize the resulting strategy and share it with IAA and its stakeholders